

STATE OF LOUISIANA LEGISLATIVE AUDITOR

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Department of Public Service
State of Louisiana
Baton Rouge, Louisiana

December 16, 1998



Financial and Compliance Audit Division

***Daniel G. Kyle, Ph.D., CPA, CFE
Legislative Auditor***

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LEGISLATIVE AUDITOR

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**DEPARTMENT OF PUBLIC SERVICE
STATE OF LOUISIANA
Baton Rouge, Louisiana**

**Special Purpose Financial Statements
and Independent Auditor's Reports
As of and for the Year Ended June 30, 1998
With Supplemental Information Schedules**

Under the provisions of state law, this report is a public document. A copy of this report has been submitted to the Governor, to the Attorney General, and to other public officials as required by state law. A copy of this report has been made available for public inspection at the Baton Rouge office of the Legislative Auditor.

December 16, 1998

**DEPARTMENT OF PUBLIC SERVICE
STATE OF LOUISIANA**

Special Purpose Financial Statements
and Independent Auditor's Reports
As of and for the Year Ended June 30, 1998
With Supplemental Information Schedules

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December 4, 1998

Independent Auditor's Report
on the Financial Statements

DEPARTMENT OF PUBLIC SERVICE
STATE OF LOUISIANA
Baton Rouge, Louisiana

We have audited the accompanying special purpose (legal basis) financial statements of the Department of Public Service, a department within Louisiana state government, as of and for the year ended June 30, 1998, as listed in the foregoing table of contents. These special purpose financial statements are the responsibility of management of the Department of Public Service. Our responsibility is to express an opinion on these special purpose financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the special purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the special purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall special purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in note 1 to the financial statements, the accompanying special purpose financial statements present only the funds of the Department of Public Service. As such, they present the appropriated and non-appropriated activity of the department that are part of the accounts and fund structure of the State of Louisiana. The General Appropriation Fund reflects appropriated activities of the department that are part of the General Fund of the State of Louisiana. The non-appropriated funds are individual funds of the State of Louisiana not subject to budgetary control. Furthermore, the special purpose financial statements have been prepared on a legal basis of accounting, the purpose of which is to reflect compliance with the annual appropriation act for the appropriated fund and the financial position of the non-appropriated funds. These principles differ from generally accepted accounting principles as described in the notes to the financial statements. Accordingly, the accompanying special purpose financial statements are not intended to and do not present financial position and results of operations in conformity with generally accepted accounting principles.

LEGISLATIVE AUDITOR

DEPARTMENT OF PUBLIC SERVICE
STATE OF LOUISIANA
Audit Report, June 30, 1998

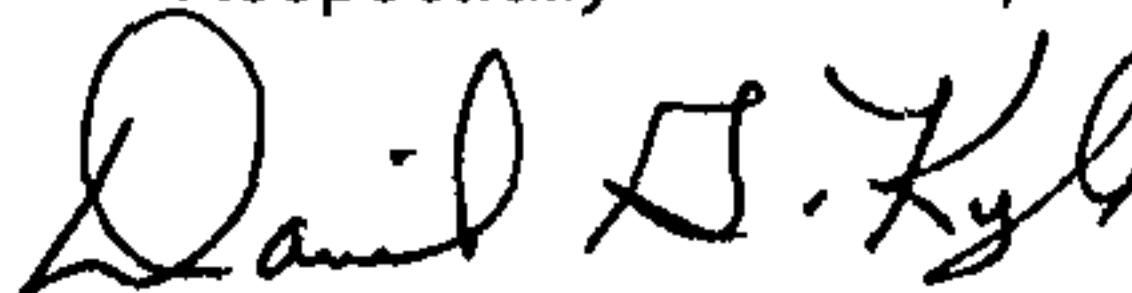
In our opinion, the special purpose financial statements present fairly, in all material respects, the balances within the appropriated and non-appropriated funds of the Department of Public Service at June 30, 1998, and the transactions of the General Appropriation Fund for the year then ended, on the basis of accounting described in note 1-B.

In accordance with *Government Auditing Standards*, we have also issued a report dated December 4, 1998, on our consideration of the Department of Public Service's internal control over financial reporting and our tests of its compliance with certain provisions of laws and regulations.

Our audit was made for the purpose of forming an opinion on the accompanying special purpose financial statements of the Department of Public Service taken as a whole. The accompanying supplemental information schedules are presented for the purpose of additional analysis and have been subjected to the procedures applied in the audit of the special purpose financial statements and, in our opinion, are fairly stated in all material respects in relation to the special purpose financial statements taken as a whole.

In accordance with Louisiana Revised Statute 24:516, our report is intended for the information and use of the department and its management and should be used solely as intended by the foregoing statute. By provisions of state law, this report is a public document, and it has been distributed to appropriate public officials.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Daniel G. Kyle". The signature is fluid and cursive, with the first name "Daniel" being the most prominent.

Daniel G. Kyle, CPA, CFE
Legislative Auditor

RT;WMB;RCL:ss

[DPS98]

DEPARTMENT OF PUBLIC SERVICE
STATE OF LOUISIANA
ALL APPROPRIATED AND NON-
APPROPRIATED FUNDS

Balance Sheet (Legal Basis), June 30, 1998

	APPROPRIATED FUND - GENERAL APPROPRIATION	NON-APPROPRIATED FUNDS			TOTAL (MEMORANDUM ONLY)
		MAJOR STATE REVENUES AND INCOME NOT AVAILABLE	AGENCY FUND	PAYROLL CLEARING	
ASSETS					
Cash (note 1-C)	\$503,230	\$89,771	\$10,544	\$75,569	\$679,114
Accounts receivable		49,029			49,029
Inventory of materials and supplies (note 1-D)	26,618				26,618
TOTAL ASSETS	\$529,848	\$138,800	\$10,544	\$75,569	\$754,761
LIABILITIES AND FUND EQUITY					
Liabilities:					
Accounts payable	\$124,641				\$124,641
Payroll payable	192,097				192,097
Payroll deductions payable				\$32,746	32,746
Accrued employee benefits				42,823	42,823
Deposits due others			\$10,544		10,544
Advance from state treasury (note 7)	5,000				5,000
Due to other fund - Utility and Carrier Inspection and Supervision Fund	401,269				401,269
Other liabilities		\$138,800			138,800
Total Liabilities	723,007	138,800	10,544	75,569	947,920
Fund Equity - fund balances:					
Reserved for inventory of materials and supplies (note 1-D)	26,618				26,618
Unreserved - undesignated (deficit) (note 8)	(219,777)				(219,777)
Total Fund Equity	(193,159)	NONE	NONE	NONE	(193,159)
TOTAL LIABILITIES AND FUND EQUITY	\$529,848	\$138,800	\$10,544	\$75,569	\$754,761

The accompanying notes are an integral part of this statement.

Statement B**DEPARTMENT OF PUBLIC SERVICE
STATE OF LOUISIANA
GENERAL APPROPRIATION FUND****Statement of Revenues, Expenditures, and
Changes in Fund Balance (Legal Basis)
For the Year Ended June 30, 1998**

REVENUES	<u>NONE</u>
EXPENDITURES	
Administrative	\$1,507,630
Utilities	1,171,062
Motor carriers	1,031,249
Rates, economics, and auditing	1,559,984
Total expenditures	<u>5,269,925</u>
EXCESS OF EXPENDITURES OVER REVENUES	<u>(5,269,925)</u>
OTHER APPROPRIATED FINANCING SOURCES (Uses)	
Transfers in	5,607,319
Transfers out	(401,269)
Total other appropriated financing sources (uses)	<u>5,206,050</u>
EXCESS OF EXPENDITURES AND OTHER USES OVER REVENUES AND OTHER SOURCES	(63,875)
FUND BALANCE (Deficit) AT BEGINNING OF YEAR	(129,755)
INCREASE IN RESERVE FOR INVENTORY	<u>471</u>
FUND BALANCE (Deficit) AT END OF YEAR	<u><u>(\$193,159)</u></u>

The accompanying notes are an integral part of this statement.

DEPARTMENT OF PUBLIC SERVICE
STATE OF LOUISIANA
GENERAL APPROPRIATION FUND

Statement of Revenues, Expenditures, and
Unexpended Appropriation - Budget
Comparison of Current-Year Appropriation -
Budget (Legal Basis) and Actual
For the Year Ended June 30, 1998

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
REVENUES			
Appropriated by legislature -			
other fund sources:			
Utility and Carrier Inspection and Supervision Fund	\$3,868,111	\$3,466,842	(\$401,269)
Motor Carrier Regulation Fund	1,107,504	1,107,504	
Supplemental Fee Fund	631,704	631,704	
Total appropriated revenues	<u>5,607,319</u>	<u>5,206,050</u>	<u>(401,269)</u>
EXPENDITURES			
Appropriated for:			
Administration	1,644,370	1,546,909	97,461
Utilities	1,243,904	1,097,747	146,157
Motor carriers	1,056,666	1,029,090	27,576
Rates, economics, and auditing	1,662,379	1,559,984	102,395
Total appropriated expenditures	<u>5,607,319</u>	<u>5,233,730</u>	<u>373,589</u>
UNEXPENDED APPROPRIATION (Deficit) - CURRENT YEAR	<u>NONE</u>	<u>(\$27,680)</u>	<u>(\$27,680)</u>

The accompanying notes are an integral part of this statement.

**DEPARTMENT OF PUBLIC SERVICE
STATE OF LOUISIANA**

Notes to the Financial Statements
As of and for the Year Ended June 30, 1998

INTRODUCTION

The Louisiana Department of Public Service is a department within the State of Louisiana reporting entity. The department was created in accordance with Title 36, Sections 721-725 of the Louisiana Revised Statutes of 1950, as a part of the executive branch of government. The Public Service Commission, consisting of five members who are elected from single-member districts, is the governing body of the department. The members are paid a yearly salary of \$37,800 as set by Louisiana Revised Statute (R.S.) 45:1162. The commission is charged with the administration, control, and operation of the functions, programs, and affairs of the department as provided by law. The major objective of the commission is to regulate the rates and service practices of the utility and transportation companies located in the State of Louisiana. Its goal is to secure reasonable service for the public at rates that are fair both to the consumers and to the companies. It also applies model standards and promotes compliance through forced registration and highway enforcement. The department has approximately 106 full-time employees, with work locations varying from the main office in Baton Rouge to the various district offices located throughout the state.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Governmental Accounting Standards Board (GASB) promulgates generally accepted accounting principles and reporting standards for state and local governments. These principles are found in the *Codification of Governmental Accounting and Financial Reporting Standards*, published by the GASB. However, the accompanying financial statements have been prepared on a legal basis, which differs from generally accepted accounting principles as explained in the following notes.

The State of Louisiana has been determined to be the reporting entity under generally accepted accounting principles. The accompanying financial statements represent activity of a department of state government and, therefore, are a part of the fund and account group structure of the State of Louisiana and its general purpose financial statements.

A. FUND ACCOUNTING

The department uses fund accounting, along appropriation lines, to reflect its compliance with provisions of the annual appropriation act and to reflect the financial position of its non-appropriated funds. This differs from the fund accounting of generally accepted accounting principles where the intent is to measure the financial position and results of operations of the governmental reporting entity as a whole. Therefore, the funds within the accompanying financial statements have been divided between appropriated and non-appropriated funds and not by the conventional fund types of generally accepted accounting principles.

DEPARTMENT OF PUBLIC SERVICE
STATE OF LOUISIANA
Notes to the Financial Statements (Continued)

The funds do not include any noncurrent assets or liabilities. Noncurrent assets, general fixed assets, and long-term liabilities are reflected in the State of Louisiana's general purpose financial statements.

The funds presented in the special purpose financial statements are described as follows:

GENERAL APPROPRIATION FUND

The General Appropriation Fund accounts for all appropriated revenues, operating expenditures, and minor capital acquisitions.

NON-APPROPRIATED FUNDS

**Major State Revenues and
Income Not Available**

The department collects major state revenues that are remitted to the state treasury for deposit to statutorily dedicated funds. In addition, the department collects funds specifically identified by the Division of Administration, State Budget Office, as income not available that are remitted to the state treasury. These amounts are not available to the department for expenditure and, therefore, are not included on Statement B, but are detailed on Schedule 2.

Agency Fund

The agency fund is used to account for assets held on behalf of outside parties, including other governments. The agency fund accounts for fees collected for other states under the Motor Carrier Single State Registration Program.

Payroll Clearing Fund

The Payroll Clearing Fund accounts for payroll deductions and accrued benefits.

The non-appropriated funds relating to major state revenues and income not available, agency, and payroll clearing funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

B. BASIS OF ACCOUNTING

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The funds in the accompanying financial statements measure the resources provided by the legislature to fund current-year expenditures and the use of those resources by the department. This differs from generally accepted accounting

DEPARTMENT OF PUBLIC SERVICE
STATE OF LOUISIANA
Notes to the Financial Statements (Continued)

principles in which the measurement focus would be to measure the flow of current resources.

Basis of accounting refers to when revenues and expenditures are recognized and reported in the financial statements, regardless of the measurement focus applied. The accompanying financial statements reflect revenues and expenditures in accordance with applicable statutory provisions and regulations of the Division of Administration, Office of Statewide Reporting and Accounting Policy. These legal requirements differ from generally accepted accounting principles as follows:

1. Revenues are recognized to the extent that they have been appropriated and not necessarily when measurable and available.
2. Expenditures are recognized to the extent that appropriation authority has been extended to the department and not necessarily when the fund liability has been incurred.

Under the foregoing legal provisions, the department uses the following practices in recognizing revenues and expenditures:

Revenues

Non-appropriated revenues are recognized in the amounts earned, to the extent that they will be collected within 45 days of the close of the fiscal year.

Expenditures

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred, except that obligations of employee vested annual and sick leave are recognized as expenditures when paid. Furthermore, any expenditure of a long-term nature for which funds have not been appropriated during the current year are not recognized in the accompanying financial statements.

Other Financing Sources

Transfers are recognized in the year the department is authorized to receive or make the transfers.

DEPARTMENT OF PUBLIC SERVICE
STATE OF LOUISIANA
Notes to the Financial Statements (Continued)

C. CASH

Cash is composed of the following (book balances):

Under control of the department:	
Petty cash (in bank)	\$6,788
Cash in demand account	100,315
Cash on deposit with the state treasury	<u>572,011</u>
Total	<u><u>\$679,114</u></u>

Under state law, these deposits must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent bank. The department has deposit balances (collected bank balances) of \$112,739 at June 30, 1998, for which the department has control. These deposits are secured from risk by \$108,665 of federal deposit insurance (GASB Risk Category 1) and \$4,074 of pledged securities held by a custodial bank in the name of the fiscal agent bank (GASB Category 3.)

Cash balances held and controlled by the state treasurer are secured from risk by the state treasurer through separate custodial agreements, and the risk disclosures required by generally accepted accounting principles are included within the state's general purpose financial statements. The following is a summary of cash in the state treasury:

Operating account	\$496,442
Payroll clearing	<u>75,569</u>
Total	<u><u>\$572,011</u></u>

D. INVENTORIES OF MATERIALS AND SUPPLIES

Inventories for the General Appropriation Fund are valued at cost and are recorded as expenditures at the time individual inventory items are purchased. The department uses a perpetual inventory system and values its inventory using the first-in, first-out (FIFO) valuation method. Reported inventories are equally offset by fund balance reserves that indicate they do not constitute available spendable resources even though they are components of net current assets.

E. FIXED ASSETS

At June 30, 1998, the department has stewardship responsibility for \$1,287,420 in governmental movable property, valued at historical cost at the time of acquisition. Donated fixed assets, which comprise less than 1% of total assets, are valued at their

DEPARTMENT OF PUBLIC SERVICE
STATE OF LOUISIANA
Notes to the Financial Statements (Continued)

fair market value on the date donated. The movable property is not reflected within the accompanying special purpose financial statements. A summary of changes in movable property follows:

Balance July 1, 1997	Additions	Deletions	Balance June 30, 1998
<u>\$1,148,947</u>	<u>\$224,435</u>	<u>\$85,962</u>	<u>\$1,287,420</u>

The department has complied with R.S. 39:321-332, the movable property statutes of the State of Louisiana.

F. LONG-TERM OBLIGATIONS

The department is by statute not allowed to incur bonded indebtedness and, therefore, no recognition within the accompanying financial statements is necessary. Furthermore, any long-term obligations of the department arising from lease commitments, judgments, compensated absences, or any other source are not recognized in the accompanying special purpose financial statements.

G. ENCUMBRANCE ACCOUNTING

Encumbrances represent commitments relating to unperformed contracts for goods or services. The department employs encumbrance accounting during the year to assure compliance with the annual appropriation act. Encumbrances are not included in the accompanying financial statements because R.S. 39:82 and the annual appropriation act do not allow the department to charge encumbrances against its current-year appropriation, the basis upon which the accompanying financial statements have been prepared. The department has no encumbrances at June 30, 1998.

H. BUDGET PRACTICES

The appropriation made for the general operations of the department is an annual lapsing appropriation valid for one year and is recorded in the General Appropriation Fund. Revenues and expenditures for budget purposes are recognized on the same basis of accounting as described in note 1-B, except that transfers in are recognized as revenues on Statement C and accruals of payroll at fiscal year-end are not recognized as expenditures on Statement C. Revenues per Statement B are reconciled with the amounts reflected on the budget comparison, Statement C, as follows:

DEPARTMENT OF PUBLIC SERVICE
STATE OF LOUISIANA
Notes to the Financial Statements (Continued)

Amounts per Statement B	NONE
Transfers in	\$5,607,319
Transfers out	<u>(401,269)</u>
Amounts per Statement C	<u><u>\$5,206,050</u></u>

Expenditures per Statement B are reconciled with the amounts reflected on the budget comparison, Statement C, as follows:

Amounts per Statement B	\$5,269,925
Prior-year payroll accrual	155,902
Current-year payroll accrual	<u>(192,097)</u>
Amounts per Statement C	<u><u>\$5,233,730</u></u>

The department is prohibited by statute from over expending the categories established in the general appropriation act. Budget revisions are granted by the Joint Legislative Committee on the Budget. Interim emergency appropriations may be granted by the Interim Emergency Board. The budget information included in the financial statements consists of the original appropriation of \$5,607,319.

The non-appropriated funds are not subject to budgetary control.

I. LEAVE BENEFITS

Employees earn and accumulate annual and sick leave at various rates, depending on their years of service, without limitation on the balance that can be accumulated. Upon termination, employees or their heirs are compensated for up to 300 hours of unused annual leave at the employee's hourly rate of pay, but are not compensated for unused sick leave. Upon retirement, unused annual leave in excess of 300 hours plus unused sick leave are used to compute retirement benefits. The liability for unused annual leave payable at June 30, 1998, computed in accordance with the Codification of Governmental Accounting and Financial Reporting Standards Section C60.105, is estimated to be \$306,545 for the General Appropriation Fund. The leave payable is not recorded in the accompanying special purpose financial statements.

Certain employees of the department are eligible to earn compensatory time as defined by the Department of State Civil Service and the Fair Labor Standards Act. These employees can earn and accumulate one hour or one and one-half hours for each hour of overtime worked, depending on their position and rate of pay. Generally, the employees are allowed to carry up to 360 hours of accrued compensatory leave from one calendar year to another. The liability for accrued compensatory leave at June 30, 1998, computed in accordance with GASB Codification Section C60.105, is estimated to

DEPARTMENT OF PUBLIC SERVICE
STATE OF LOUISIANA
Notes to the Financial Statements (Continued)

be \$836. Accumulated compensatory leave is not accrued (reflected) in the accompanying special purpose financial statements.

J. TOTAL COLUMN ON BALANCE SHEET

The total column on the balance sheet is captioned Memorandum Only (overview) to indicate that it is presented only to facilitate financial analysis. Data in this column does not present financial position. Neither is such data comparable to a consolidation.

2. PENSION PLAN

Substantially all employees of the department are members of the Louisiana State Employees Retirement System, a cost sharing, multiple-employer defined benefit pension plan administered by a board of trustees. Required disclosures for the plan for fiscal year 1997-98 are included in the Louisiana Comprehensive Annual Financial Report prepared by the Louisiana Division of Administration, Post Office Box 94095, Baton Rouge, Louisiana 70804-9095.

**3. POSTRETIREMENT HEALTH CARE
AND LIFE INSURANCE BENEFITS**

The department provides certain continuing health care and life insurance benefits for its retired employees. Substantially all of the department's employees become eligible for these benefits if they reach normal retirement age while working for the department. These benefits for retirees and similar benefits for active employees are provided through an insurance company whose monthly premiums are paid jointly by the employee and the department. The department's costs of providing retiree health care and life insurance benefits are recognized as expenditures when the monthly premiums are paid. For the year ended June 30, 1998, the costs of retiree benefits totaled \$46,903.

**4. JUDGMENTS, CLAIMS, AND
SIMILAR CONTINGENCIES**

Obligations and losses arising from judgments, claims, and similar contingencies are paid through the state's self-insurance fund or by General Fund appropriations and are not reflected in the accompanying special purpose financial statements. The self-insurance fund is operated by the Office of Risk Management, the state agency responsible for the state's self-insurance program.

5. LEASE OBLIGATIONS

The department has an operating lease for office space. The annual operating lease payments are presented as follows:

DEPARTMENT OF PUBLIC SERVICE
STATE OF LOUISIANA
Notes to the Financial Statements (Continued)

Fiscal Year:	
1998-1999	\$399,453
1999-2000	372,708
2000-2001	268,404
2001-2002	226,078
2002-2003	<u>110,905</u>
Total	<u><u>\$1,377,548</u></u>

The lease agreement has a non-appropriation exculpatory clause that allows for lease cancellation if the Louisiana Legislature does not make an appropriation for its continuation during any future fiscal years. Lease expenditures for fiscal year ended June 30, 1998, totaled \$408,280.

6. CHANGES IN AGENCY FUNDS

A summary of changes in assets and liabilities follows:

	Balance at Beginning of Year	Additions	Deletions	Balance at End of Year
Assets - cash	<u>\$10,327</u>	<u>\$769,617</u>	<u>\$769,400</u>	<u>\$10,544</u>
Liabilities:				
Due to other states	\$8,106	\$767,101	\$764,767	\$10,440
Due to others - refunds	<u>2,221</u>	<u>2,516</u>	<u>4,633</u>	<u>104</u>
Total Liabilities	<u>\$10,327</u>	<u>\$769,617</u>	<u>\$769,400</u>	<u>\$10,544</u>

7. ADVANCE FROM STATE TREASURY

The department has received an advance from the state treasury for imprest fund operations totaling \$5,000. The advance, as reflected in the accompanying statements, represents a liability of the department and must be repaid if not authorized annually.

8. FUND DEFICIT

The General Appropriation Fund had a deficit of \$219,777 for the year ended June 30, 1998. The deficit is the result of the recognition of accrued salaries and related benefits as required by the Office of the Governor, Division of Administration, and the fact that revenues to fund those accruals are appropriated in the subsequent year. The deficit will be resolved by paying for salaries and related benefits from fiscal year 1999 funds appropriated to pay those obligations of the 1997-98 fiscal year. The remainder of the deficit is due to expenditures for operating

DEPARTMENT OF PUBLIC SERVICE
STATE OF LOUISIANA
Notes to the Financial Statements (Concluded)

services paid for with 1999 funds being charged to the 1998 fiscal year when the expenditure was incurred.

9. EXPENDITURES PAID BY OTHERS

Certain professional service expenditures of the department are paid by various companies and/or cooperatives providing public service or utilities in the state. The payment of these expenditures by these public utilities is authorized by R.S. 45:1180-1181. The services are provided to the department for the purpose of assisting in evaluating and reviewing matters affecting services and rates charged by public utilities to Louisiana consumers and for representing the Public Service Commission in such cases, or the judicial review thereof. These expenditures incurred in the fiscal year ended June 30, 1998, and which are not included in the accompanying financial statements, are summarized as follows:

Attorneys	\$2,517,733
Consultants	781,950
Court reporters	<u>704</u>
Total	<u><u>\$3,300,387</u></u>

10. DEFERRED COMPENSATION PLAN

Certain employees of the Department of Public Service participate in the Louisiana Deferred Compensation Plan adopted under the provisions of Internal Revenue Code Section 457. Complete disclosures relating to this statewide plan are available in the financial statements of the State of Louisiana.

**DEPARTMENT OF PUBLIC SERVICE
STATE OF LOUISIANA
SUPPLEMENTAL INFORMATION SCHEDULES
For the Year Ended June 30, 1998**

**SCHEDULE OF NON-APPROPRIATED REVENUES -
MAJOR STATE REVENUES AND INCOME NOT AVAILABLE**

Schedule 1 reflects major state revenues and income not available collected by the department during the year that were not available to the department for expenditure.

SCHEDULE OF CHANGES IN BALANCE

Changes in balance for the Non-Appropriated - Payroll Clearing Fund for the year ended June 30, 1998, are presented in Schedule 2.

DEPARTMENT OF PUBLIC SERVICE
STATE OF LOUISIANA
MAJOR STATE REVENUES AND
INCOME NOT AVAILABLE

Schedule of Non-Appropriated Revenues
For the Year Ended June 30, 1998

NON-APPROPRIATED REVENUE FUND SOURCE	CASH RECEIPTS THROUGH JUNE 30, 1998	ACCOUNTS RECEIVABLE JUNE 30, 1998	TOTAL REVENUE
Income not available - miscellaneous	\$30		\$30
Major state revenues:			
Motor carrier fees	6,086,637	\$47,308	6,133,945
Annual report	3,580		3,580
Common carrier certificate	10,200		10,200
Contract carrier permit	450		450
Citation	14,551	440	14,991
Fines - illegal operations	260		260
Late filing	190		190
Lease filing	1,350		1,350
Lobbyist registration	410		410
Name change	1,000		1,000
Rate application - increase	550		550
Rate application - decrease	900		900
Rate application - utilities	100		100
Rehearing application	70		70
Reinstatement	500		500
Stock transfer	56,516		56,516
Sales non-state agency - merchandise and commodities	898		898
Sales non-state agency - services	26,483	281	26,764
Receipts - miscellaneous	44,250	1,000	45,250
Subtotal - major state revenues	6,248,895	49,029	6,297,924
Total non-appropriated revenues	\$6,248,925	\$49,029	\$6,297,954

DEPARTMENT OF PUBLIC SERVICE
STATE OF LOUISIANA
NON-APPROPRIATED - PAYROLL CLEARING FUND

Schedule of Changes in Balance
For the Year Ended June 30, 1998

BALANCE AT BEGINNING OF YEAR	\$67,064
ADDITIONS	
Payroll deduction deposits	<u>1,733,352</u>
Total	1,800,416
DEDUCTIONS	
Payroll deduction disbursements	<u>(1,724,847)</u>
BALANCE AT END OF YEAR	<u><u>\$75,569</u></u>

**OTHER REPORT REQUIRED BY
GOVERNMENT AUDITING STANDARDS**

The following pages contain a report on compliance and on internal controls over financial reporting as required by *Government Auditing Standards*, issued by the Comptroller General of the United States. This report is based solely on the audit of the financial statements and includes, where appropriate, any reportable conditions and/or material weaknesses in internal control or compliance matters that would be material to the presented financial statements.



DANIEL G. KYLE, PH.D., CPA, CFE
LEGISLATIVE AUDITOR

OFFICE OF
LEGISLATIVE AUDITOR
STATE OF LOUISIANA
BATON ROUGE, LOUISIANA 70804-9397

1600 NORTH THIRD STREET
POST OFFICE BOX 94397
TELEPHONE: (225) 339-3800
FACSIMILE: (225) 339-3870

December 4, 1998

Report on Compliance and on Internal Control Over
Financial Reporting Based on an Audit of the Financial Statements
Performed in Accordance With *Government Auditing Standards*

DEPARTMENT OF PUBLIC SERVICE
STATE OF LOUISIANA
Baton Rouge, Louisiana

We have audited the special purpose (legal basis) financial statements of the Department of Public Service, a department within Louisiana state government, as of and for the year ended June 30, 1998, and have issued our report thereon dated December 4, 1998. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Department of Public Service's special purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws and regulations, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with these provisions was not an objective of our audit, and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Department of Public Service's internal control over financial reporting to determine our auditing procedures for the purpose of expressing our opinion on the special purpose financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that could be material in relation to the special purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

EXHIBIT A

LEGISLATIVE AUDITOR

DEPARTMENT OF PUBLIC SERVICE
STATE OF LOUISIANA

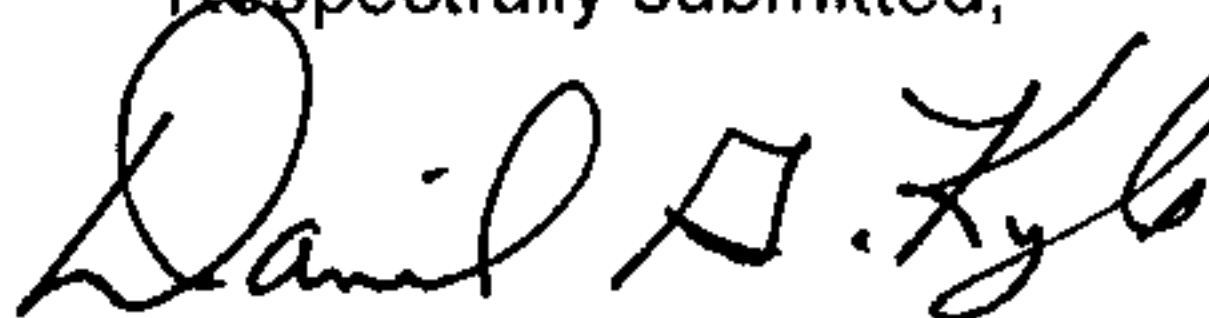
Compliance and Internal Control Report

December 4, 1998

Page 2

This report is intended for the information and use of the department and its management. By provisions of state law, this report is a public document, and it has been distributed to appropriate public officials.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Daniel G. Kyle". The signature is fluid and cursive, with a large initial "D" and a stylized "K".

Daniel G. Kyle, CPA, CFE
Legislative Auditor

RT:WMB:RCL:ss

[DPS98]